

the

light report



July 2003

Volume 7; Number 7

Superintendent's Summary

I'm pleased to report that City Light's financial plan remains on track .

Citing "steady progress" in Seattle City Light's recovery from the energy crisis, Moody's Investors Service reaffirmed our Aa3 bond rating for existing debt and the \$256.815 million of revenue bonds scheduled for sale this month. This action is a strong indicator to the financial community that City Light is on the right financial course.

On July 2 we presented our financial recovery plan to Standard and Poors. The presentation went well, and we expect S&P to announce its rating before the end of this week.

Capacity planning for our distribution system – and particularly South Lake Union - continues as a major part of our summer work program. We will brief the members of the Energy and Environmental Policy Committee on the latest developments at their regular July 17 meeting.

Jim Ritch, Acting Superintendent

National Energy Legislation

National Issues

National energy legislation is proceeding through Congress, though mostly behind the scenes.

Senate Energy Chairman Pete Domenici is working mainly with Republican colleagues on a consensus chairman's mark that is likely to differ significantly from the bill that passed the Senate Energy Committee. He is hoping to address many of the issues behind the 300-plus proposed amendments that were filed for possible consideration on the Senate floor.

Domenici's staff has indicated that they are trying to reduce to five or six the amendments that would actually be debated. The extent of the Federal Energy Regulatory Commission's jurisdiction is very much in play: mandatory or voluntary regional transmission organizations, FERC jurisdiction over public utilities, and anti-Standard Market Design provisions.

We continue to rely on a coalition of Southeast Republicans and Northwest Democrats to carry our water – an unusual but, in hindsight, perhaps inevitable alliance.

Regional Issues

Fortunately for City Light and its customers, plans for a Western Regional Transmission Organization seem stalled at this point.

The Regional Representatives Group of RTO-West met last

week in Portland to hear an update from the filing utilities, which include BPA and the investor-owned utilities. To date, the utilities have completed two FERC filings in a three-stage process. But all participating utilities acknowledged last week that regional opposition and changes in the industry – the disappearance of Enron-like organizations, for example – had brought progress to a halt. All the investor-owned utilities must get state regulatory approval before they can transfer transmission assets to an exclusively FERC-jurisdictional regional transmission organization. Given regional opposition to standard market design, which would fall on the RTO to implement, the IOUs see the original approach of RTO-West as dead.

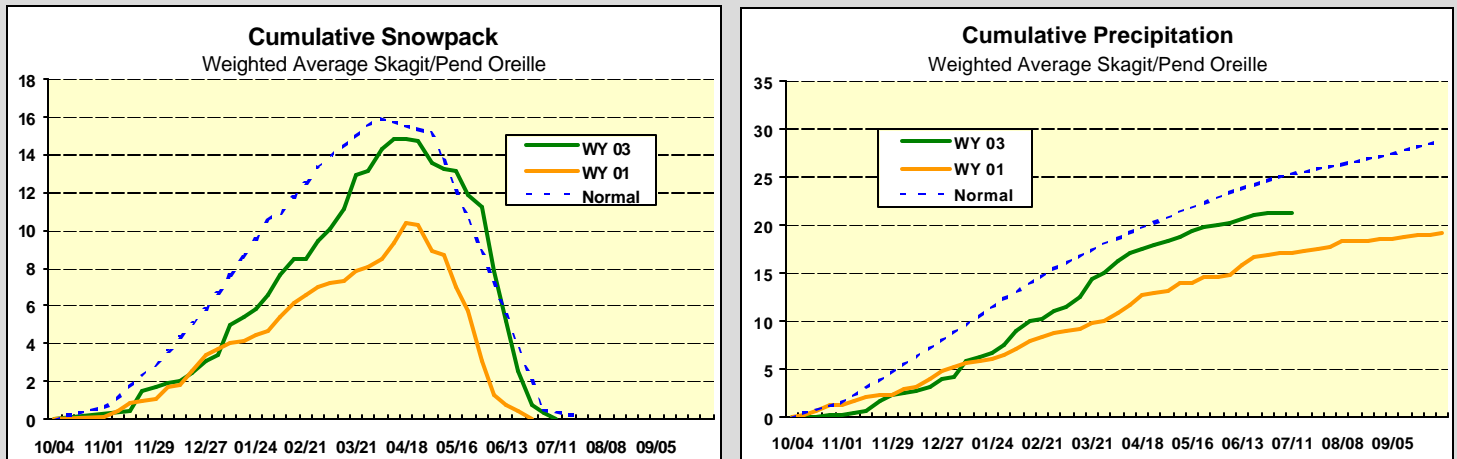
So it's back to square one, which we should consider a major victory. It gives us the opportunity to refocus on what is needed to improve transmission management and planning in the Northwest, rather than slavishly follow FERC's rulebook. We will continue to participate in small regional forums, including the Transmission Issues Group, which we helped create, to produce a different and more incremental approach .

Bits and Pieces: News and Notes from City Light and the Utility Industry

- On July 15 the energy trading company Mirant declared bankruptcy. City Light is owed slightly more than \$1 million. City Light has a letter of credit for about half that amount.

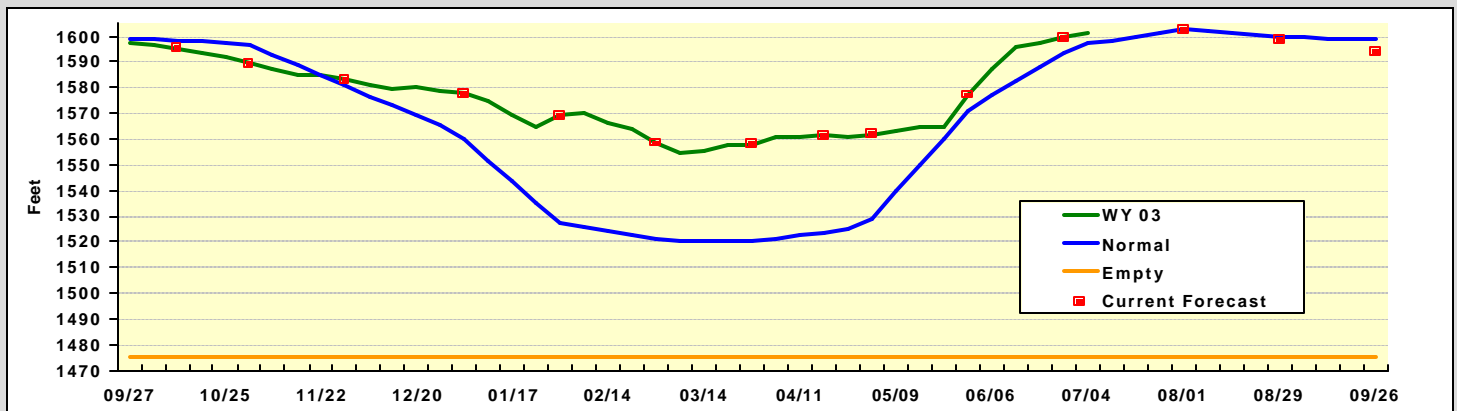
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- Water Resources as of May 30, 2003 - Snowpack and Precipitation



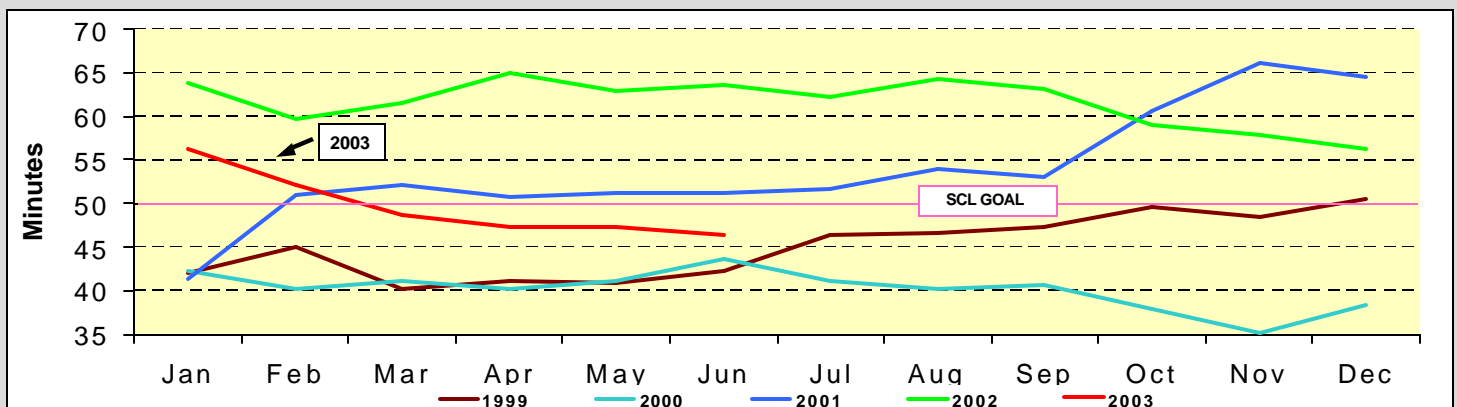
The drought continues. June precipitation in the Skagit watershed was 17% of normal. So far in July (through the second week) it is only 10% of normal. During July we will draft Ross reservoir only to the extent that we enjoy inflows (see below).

Ross Reservoir Levels



We have achieved refill in Ross (1602 feet). Our strategy to maintain higher levels this summer as insurance against the drought is paying off. In August we will begin to draft Ross to meet our native loads, contracts and license targets. In order to meet recreational needs (keep boat docks and campground accessible), we will not draft below 1598 feet prior to Labor Day.

- System Reliability - Average Customer Outage Minutes, January 1999 – June 2003



The System Average Interruption Duration Index (SAIDI) decreased to 46.4 for June, representing over a 25% drop from a year ago. Equipment failures represented about 70% of total outage impact, and tree-related outages contributed about 20%.

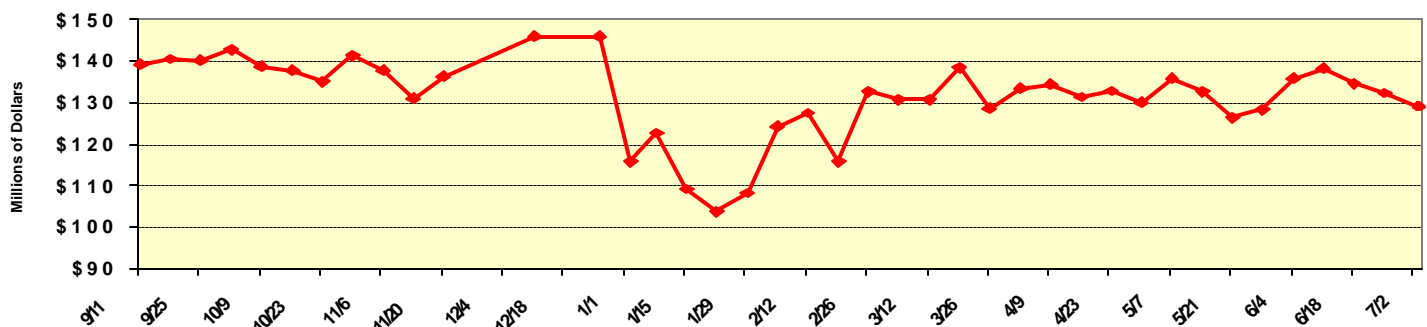
- Markets and Power Management -

Forward Power Prices, Current vs. Operating Plan

	High Load Hours			Low Load Hours		
	Operating Plan	Current	Change	Operating Plan	Current	Change
Jan 03	\$40	\$40	\$0	\$32	\$32	\$0
Feb 03	\$35	\$74	+\$39	\$30	\$70	+\$40
Mar 03	\$34	\$24	-\$10	\$28	\$21	-\$7
Apr 03	\$34	\$32	-\$2	\$24	\$30	+\$6
May 03	\$26	\$32	+\$6	\$16	\$22	+\$6
Jun 03	\$24	\$41	+\$17	\$16	\$33	+\$17
Jul 03	\$37	\$43	+\$6	\$25	\$36	+\$11
Aug 03	\$46	\$51	+\$5	\$31	\$39	+\$8
Sep 03	\$39	\$50	+\$11	\$27	\$39	+\$12
Oct 03	\$42	\$51	+\$9	\$31	\$43	+\$12
Nov 03	\$40	\$50	+\$10	\$30	\$43	+\$13
Dec 03	\$44	\$58	+\$14	\$35	\$52	+\$17

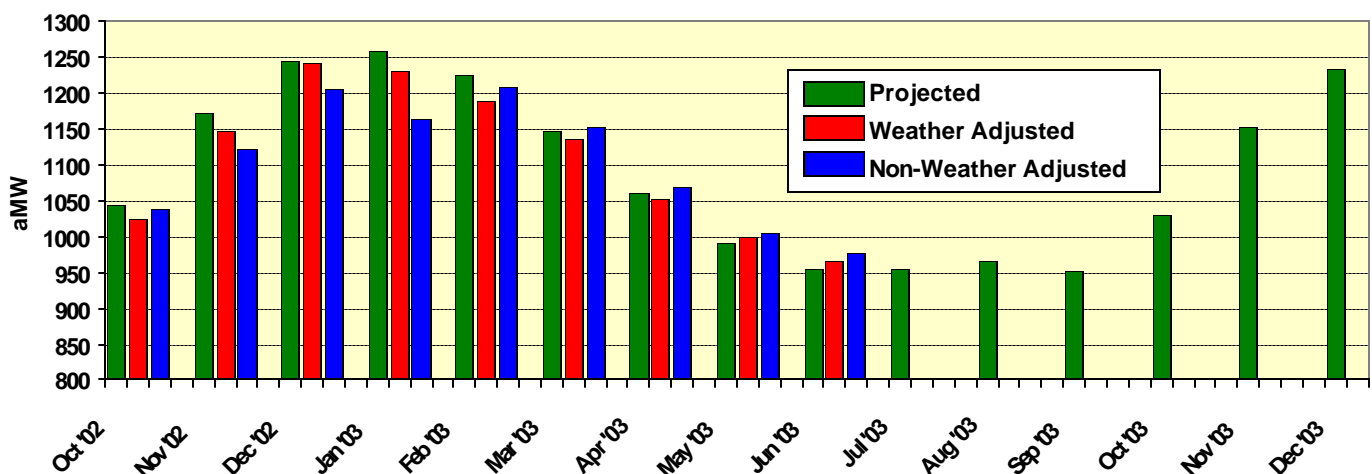
This table compares the forward prices for energy as of July 3, 2003 with the forward prices assumed in the October 2002 operating plan. Storage reserves of natural gas, a major fuel in electricity generation nationwide, are at an all-time low, leading to higher natural gas prices and higher electricity prices.

Market Value of 2003 Position



Flow projections stabilize as we advance through the water year, and we do not expect significant changes through year-end (Sept.). Changes in the value of the position from now on will largely be price driven.

Load History and Projections



In the early part of this year, we revised our load forecast to reflect poorer-than-anticipated economic conditions. The forecast has since tracked the weather adjusted load better; however, cooler-than-normal weather has kept demand a little higher than expected.

This follows another bankruptcy by the trading arm of Pacific Gas and Electric.

- The former Seattle City Light Power Control Center at 157 Roy Street was dedicated by the Mayor as the Uptown Neighborhood Center. Steve Hagen, Real Estate Services manager, received a certificate of appreciation from the Mayor for his work on this project.
- Automatic Bank Payment: For the first time, utility customers can sign up via the Web for automatic bank payment services at <http://www2.cityofseattle.net/html/citizen/ach/>. This payment method is the most efficient and cost-effective for the City.
- Rates Advisory Committee: We are soliciting applications from citizens interested in serving on this committee. Information is online at <http://www.cityofseattle.net/light/accounts/rates/rac>. The application deadline is July 21.
- Skagit Tours: The June kick-off for the tour season (June – September) was a great success. We received excellent media promotion. Our goal is to make the Tours entirely self-sustaining. For more tour information, visit <http://www.skagittours.com>.
- Skagit Environmental Endowment Commission (SEEC): Utility representatives participated in a successful conference in June. They group decided to place the Endowment Fund under professional management. SEEC will conduct a needs assessment to determine the best use of Endowment dollars in the Skagit Watershed over the next five to 10 years.
- Climate Change Report: Seattle City Light submitted to the U.S. Department of Energy a voluntary Climate Change Report on SCL's 2002 accomplishments in avoiding and sequestering greenhouse gas. In 2002 the utility achieved indirect reductions of 350,781 tons in carbon dioxide emissions, an increase of 14 percent over 2001. Of these reductions, 84.3 percent are attributable to City Light's energy conservation programs.
- Wildlife Research Grants: In accordance with the Skagit Wildlife Settlement Agreement, the utility awarded three grants in support of wildlife research:
 - ♦ "Potential Impact of Regulated Flows on the Life History and Ecology of Black Cottonwood along the Skagit River" (\$58,771 to the University of Idaho).

- ♦ "Mountain Goat Habitat in the North Cascades" (\$59,137 to the WA Department of Fish and Wildlife).
- ♦ "North Cascades Grizzly Bear Outreach Project Evaluation" (\$49,952 to the Conservation Partnership Center).
- Land Purchase: We purchased 70.4 acres in the Suiattle River watershed, a tributary to the Skagit River, with grant money from the National Fish and Wildlife Foundation. The property encompasses a portion of Tenas Creek, an important spawning and rearing area for Suiattle spring chinook salmon and bull trout, two species listed as threatened under the Endangered Species Act.
- Power Biologists: In June we hosted the annual meeting of the Association of Power Biologists (APB) at our Skagit facility. In existence for more than 20 years, the APB is a group of utility fish and wildlife biologists that share expertise relating to hydropower operations, environmental enhancement/protection, and coordination between agencies.
- System Improvements on Northlake Way: During the spring, we met with community groups to present our construction plans, solicit input and to listen to community concerns. We had follow-up discussions with the Department of Neighborhoods. The neighborhood plan was amended to include street improvements and undergrounding work. We will work with the community, Seattle Public Utilities and Seattle Department of Transportation to lay the groundwork for construction that will begin next year or beyond.
- Apprenticeship Program: Nettie Dokes, our Apprenticeship and Technical Training Program Manager, was a presenter at a Congressional luncheon sponsored by Senator Murray (D-Washington), Senator Snow (R-Maine), and Senator Clinton (D-New York) and The National Tradeswomen Now and Tomorrow Organization. Nettie, who is the City's representative to the Washington State Apprenticeship Council, was asked to represent a successful model program with a proven track record of hiring and retraining women in the skilled trades.
- Apprenticeship Award: Our Apprenticeship Training Division received an award by Washington Women in Trades. The award recognizes Seattle City Light for its appreciation, dedication, and continued support of women in nontraditional trades.

UPCOMING COUNCIL AGENDA ITEMS

July 17: Energy and Environmental Policy Committee:

- Briefing on the findings of the Deloitte and Touche City Light audit.
- Electrical Capacity Plan update briefing (Carol Everson, Jesse Krail)
- Two ordinances authorizing acceptance of distribution easements (Carol DeLeon)

Aug. 7: Energy and Environmental Policy Committee:

- Duwamish River cleanup report
- Continuation of Capacity Plan briefing
- Surplus property program update

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